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ABSTRACT

As a result of strong economic growth, limited growth of the working population, and a number of other socioeconomic factors, the United States presently has labor shortages in some locations for a variety of jobs. This booklet outlines various aspects of labor shortages and suggests ways that Department of Labor (DOL) activities might be used to alleviate them. The report is organized in four parts. Part I highlights the issue of labor shortages and sets forth some of the forces that are interacting to bring about the situation. Part II describes the kinds of adjustments that are required of workers and employers as labor shortages are encountered and outlines some potential dangers of precipitous policy reaction. Part III identifies the kinds of authorities and activities DOL can bring to bear on this issue and provides examples of the options for action open to the department. Part IV sets forth basic principles that DOL believes must serve as guidelines for public discussion of labor shortages. (KC)

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Report of the
Secretary of Labor

Labor Market Shortages

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FOREWORD

This is a brief report about an issue which has arisen only rarely in our economic history, but which emerged again in 1988 and may become the norm, rather than the exception, over the next several decades. The issue is labor shortages.

This report is the first of its kind. The magnitude and dimensions of the labor shortage issue have not been explored in depth. Indeed, the first thing we learned as we began to study the issue is how little is known about the causes in a rapidly changing labor market.

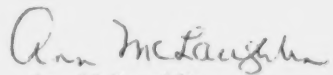
So why this booklet? Our intent is to suggest options, stimulate further thinking elsewhere, and open discussions of broad potential approaches to this issue. We hope our presentation will focus greater attention.

We have called this an "issue" rather than a "problem" because labor shortages represent different things to different parties in the labor market. The complexity of the issue is compounded by the fact that considerable unemployment still exists among certain segments of the workforce.

For employers, labor shortages are clearly an issue which can adversely affect the continuance or growth of their enterprises. To the economy generally, and to government decision makers responsible for policies which influence the well-being of the economy, labor shortages could curtail economic growth, create inflationary pressures, and adversely affect our ability to maintain technological leadership and compete internationally.

For U.S. workers, and particularly those who have been generally outside of the economic mainstream, labor shortages represent a golden opportunity for improved job prospects, higher wages, more promotions, and better working conditions. For those institutions, including the Department of Labor, which have been established to promote the well-being of U.S. workers, labor shortages represent a special challenge.

Wide discussion of this issue is essential—by employers, worker organizations, education and training institutions, the academic community, government agencies at all levels, and lawmakers. Only through such an enlarged discussion can labor shortages be dealt with in a manner which will benefit the U.S. economy as a whole and all its participants.



Ann McLaughlin
Secretary
U.S. Department of Labor

EXECUTIVE SUMMARY

Year after year, America generates an extraordinary number of jobs. The U.S. labor market is so tight in some locations that some employers find it difficult to recruit workers. Shortages are now reported in a variety of skilled and unskilled jobs and in many parts of the country. Shortages encountered involve both the actual numbers of individuals available and the skills which available individuals possess.

U.S. labor shortages are a result of strong economic growth, limited growth of the working population and a number of other socio-economic factors. Current national and State educational reform efforts will eventually maximize the labor supply available within the limits of national population growth, but cannot immediately make up for skills lacked by current workers. Enactment of the Immigration Reform and Control Act of 1987 (IRCA), while opening up employment opportunities for American workers, may, in some cases, limit the number of able-bodied workers available. High job growth in limited geographic areas has run ahead, in some cases, of the availability of affordable housing, public transportation, and other worker "needs".

Individual companies are taking a number of actions to adjust, including raising wages, automating, exporting jobs to other countries, and importing foreign workers. One response, which is to raise wages, carries with it a number of potential dangers: inflation, impaired competitiveness, shutdowns and lay-offs, and wage wars leading to unstable labor pools.

The U.S. economy cannot endure long-term large scale disruptions caused by lack of a competent workforce, domestic or foreign. The greatest danger to the U.S. economy, however, may be initiation of short-sighted public policies that will harm U.S. employers and workers in the long run.

The document that follows sets forth various aspects of labor shortage and examples of ways Department of Labor activities might be used to alleviate them.

Organization of the Report

Part I: *LABOR MARKET SHORTAGES—AN EMERGING ISSUE* outlines the issue of labor shortage and sets forth some of the forces that are interacting to bring about this situation.

Part II: *POTENTIAL IMPACTS OF LABOR SHORTAGES* describes the kinds of adjustments that are required of workers and em-

ployers as labor shortages are encountered and outlines some potential dangers of precipitous policy reaction.

Part III: *APPROACHES TO ADJUSTMENT FOR EXAMINATION* identifies the kinds of authorities and activities the Department of Labor can bring to bear on this issue and examples of the options for action open to the Department of Labor (DOL).

Part IV: *PROPOSED GUIDING PRINCIPLES* sets forth basic principles that DOL believes must serve as parameters to guide public discussion of labor shortages.

PART I

Labor Market Shortages—An Emerging Issue

America is the land of opportunity. Since 1982, the United States has generated 16 million new jobs, more than two-and-a-half times the total jobs generated by the six other major industrial nations combined. In 1987 alone:

- **Three million jobs were generated.**
- **Two million workers were added to the labor force.**
- **The unemployment rate dropped below 3% in some areas of the country.**
- **The proportion of the working age population with jobs reached a record high of 61.9 percent.**

The labor market is so tight that some employers find it difficult to recruit workers. The *New York Times* reports Audrey Freedman of The Conference Board, as stating that

> *"Business seems to have reached the edge of the population's capacity to produce additional trained workers. In some localities, especially around Boston, there are no workers available* **at any price."**

A recent headline in a suburban newspaper in the Washington D.C. area proclaimed: "Finding Workers Becomes Hard Labor; Today, Job Applicants Hold All the Cards." Reports of labor shortages in both skilled and unskilled jobs are frequent. The media have carried stories on shortages in the garment industry, the resort industry, fast food operations, retail trade, household domestic contractors, and health-aide service firms.

Recruitment Today, for example, reported that nearly 11.5% of current budgeted hospital nurse slots are unfilled, more than triple the 1983 vacancy rate. While complaints about the lack of qualified workers are currently most heavily concentrated in the Northeast, the problem is also apparent in metropolitan centers and growth areas around the country. Besides Boston, the Conference Board identifies Atlanta, Los Angeles, northern New Jersey, Greensboro, and Richmond, as areas experiencing severe labor shortages.

At issue is not simply the availability of workers, but what is becoming identified in the media as a "skills gap." As noted in the publication *Building A Quality Workforce,* a document prepared and released by the

Departments of Labor, Education and Commerce (July 1988), recent surveys indicate that two-thirds of employers consulted find the current pool of entry-level applicants insufficiently prepared in basic skills.

The skills most often referred to are not the sort of advanced knowledge and experience needed by a machinist, a certified public accountant, or a lab technician, but the basic skills required to do any job well. Applicants are found to be weak in spelling, writing, mathematics, oral communication, flexibility and adaptability, problem solving, self-direction and initiative, and attitudes and work habits.

Partly as a result of feared labor shortages, education reform has become a major national issue. Many businesses have become directly involved with schools and parent-teachers associations to improve the knowledge and experiences which are provided to future American workers. But educational reform will not occur quickly enough to assist those employers who need workers now. Companies are reported to be raising wages, improving benefits and working conditions, offering flexible staffing hours, increasing the use of part-time workers, job-sharing, and expanding training (including remedial education)—all in an effort to attract, prepare, and hold qualified workers.

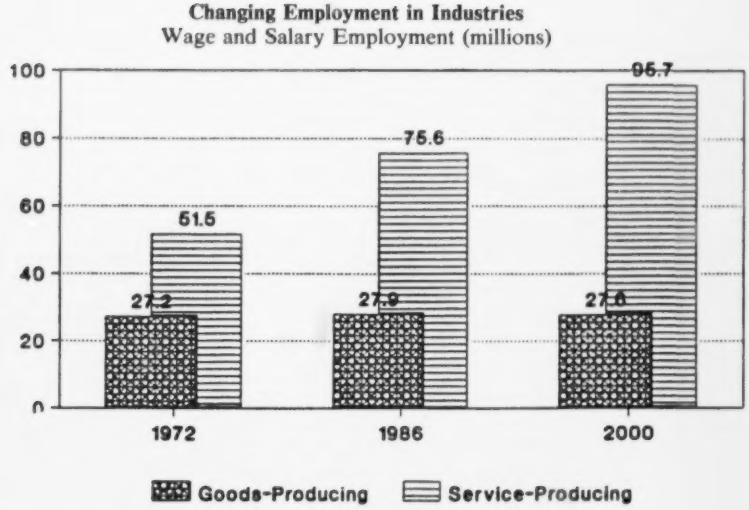
As a result, the cost of doing business is going up, raising the specter of increased inflation, lower productivity, and decreased competitiveness in the world market. How did we get into this situation?

A Changing Economy

The mismatch between labor supply and demand is, in part, simply the result of long and steady economic growth. The U.S. economy is now enjoying the longest period of growth since World War II. That growth is expected to continue with employment expected to increase 19% by the year 2000. Jobs in the goods producing sector of the U.S. economy are projected to fall by 300,000; jobs in the services sector are expected to grow by more than 20 million. (See Figure 1.)

Most growth will occur in wage and salary jobs in the services industry. The pattern of job growth is reflected in the kinds of jobs that will be available. Examples:

- Employment in professional and managerial jobs is projected to rise by 6.7 million, while operative and laborer jobs will grow by 450,000.



Source: Bureau of Labor Statistics

Figure 1. Service producing jobs increase by 20 million, while goods producing jobs fall by about 300,000.

- The need for computer systems analysts, scientists, and health professionals is expected to increase two or three times faster than the average 25% gain expected among service workers as a whole.

Skill requirements are expected both to rise and to change frequently as companies react to international competition and adapt to new technologies. Among projected requirements:

- Eighty-two percent of today's jobs require completion of at least four years of high school; the figure for tomorrow's jobs is 87 percent. (See Table I.)

- Twenty-two percent of today's jobs require four years of college or more, but 30 percent of tomorrow's new jobs will require college completion or graduate work.
- The fastest growing occupations demand higher math, language and reasoning capabilities; occupations in decline show some of the lowest levels of required skills.

Table 1. Eighty-seven percent of new jobs will require 4 years of high school or more; 52% will require one or more years of college.

THE OCCUPATIONS OF THE FUTURE WILL REQUIRE MORE EDUCATION

	Current Jobs	New Jobs
Total	100%	100%
8 yrs or less	6%	4%
1—3 yrs of H.S.	12%	10%
4 yrs of High School	40%	35%
1—3 yrs of College	20%	22%
4 yrs of College or more	22%	30%
Median yrs of school	12.8	13.5

Source: Hudson Institute

The expected job growth (according to Department of Commerce projections) is also expected to show a specific geographical pattern:

- Job growth will be highest in the South and West.
- One half of the 31 million new jobs projected by the year 2000 will be added in the 55 largest cities. Los Angeles is expected to gain over one million jobs.
- Smaller developing metropolitan urban areas will have the highest rate of growth. Phoenix is expected to grow by 77 percent; West Palm Beach by 72 percent; and Anaheim, Ft. Lauderdale, Orlando, San Jose and Tampa by 50 percent.

While the largest number of jobs will continue to be located in large companies, the highest rate of new job growth will occur in companies having fewer than 100 employees.

The Changing Workforce

The labor force is now growing more slowly. By the year 2000 the workforce will be growing at about one percent per annum. That is the lowest rate since the 1930s. The result of this slower growth rate will be:

- A labor force with a smaller share of young workers as well as older workers. The average age of the labor force will increase from 35 today to 39 by the turn of the century. The share of workers who are 25–54 years of age will increase to make up 73% of the labor force. (See Figure 2.)

- A change in the sources of labor force growth. (Over 80 percent of net labor force growth to the year 2000 is expected to come from minority youth, women, and immigrants, sectors of the work force that have either been less well educated or traditionally underutilized.)

One out of five net labor force growth will be a minority youth. Immigrants are expected to enter the country at the rate of 550,000 each year between now and the year 2000.

The number of women working will continue to rise, but at a much slower rate. The number of women in the labor force will increase from approximately 55 million in 1988 to 66 million in the year 2000. Women will continue to increase their share of the labor force. (See Table II.)

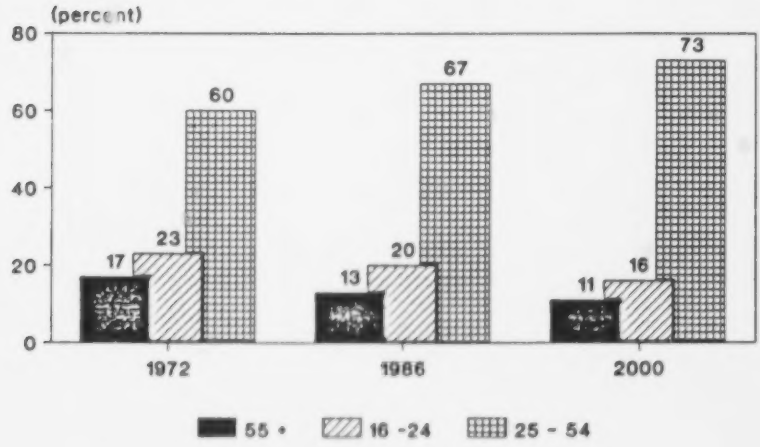
Other kinds of problems are also attendant to the changing labor force:

- Department of Education statistics indicate that 13% of the U.S. adult population is functionally illiterate. The range in real numbers is between 17 and 21 million, and

- Roughly 900,000 youth drop out of school each year.

- An assessment of literacy among U.S. 21 to 25 year-olds conducted by the National Assessment of Education Progress (NAEP) indicated that three out of five 20 year-olds cannot add up a lunch bill, nor determine their correct change.

The Changing Labor Force
Labor Force Share By Age



Source: Bureau of Labor Statistics

Figure 2. Younger and older workers will become a smaller part of the labor force.

- The "Mathematics Report Card," an NAEP report of June 1988, states that nearly half of American 17 year-olds cannot perform junior high arithmetic.
- A significant percentage of workers in this country are impaired by drug or alcohol abuse. A University of Michigan study, for example, finds that substance abuse is a problem for 10–15 percent of the nation's construction workers, resulting in 19 % of the absenteeism in that field and 15 % of the job related injuries.

Still other factors will constrain the availability of those quality workers who do exist:

Table II. The labor force participation of women is increasing.

WOMEN ARE A GROWING SHARE OF THE WORKFORCE

(numbers in thousands, except percent)

	1960	1970	1980	1990	2000
Women in the Workforce	23,240	31,543	45,487	56,548	65,639
Female Labor Force Participation Rate	37.7	43.3	51.5	57.4	61.5
Female Share of The Workforce	33.4	38.1	42.5	45.4	47.3

Source: Bureau of Labor Statistics

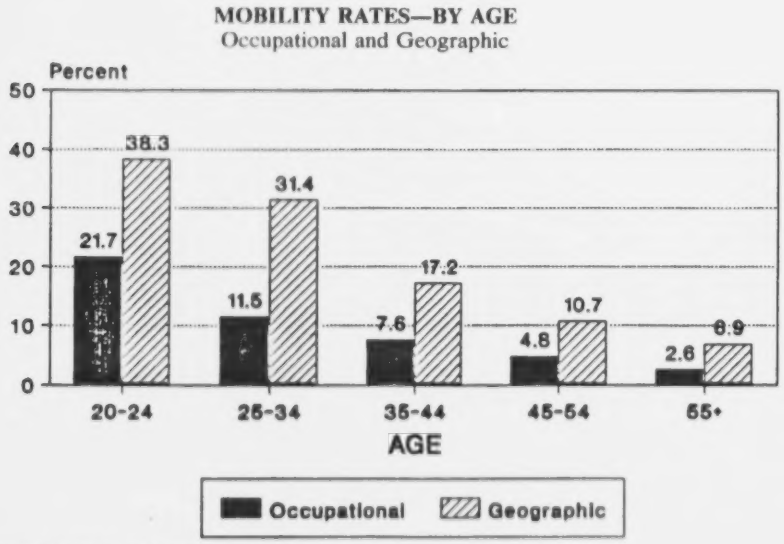
- The enactment of the Immigration Reform and Control Act (IRCA) will limit the number of workers available, particularly in lower-skilled, lower-paying occupations where illegal workers have tended to concentrate. Under IRCA, for the first time it is illegal under Federal law for an employer to hire workers who are not legally authorized to work. Both monetary penalties and imprisonment can result from violations. As a result, employers may be more reluctant to hire unauthorized workers, and Immigration and Naturalization Service (INS) enforcement activities may remove a large number of workers from the labor force.

- The escalating concentration of high tech jobs in a limited number of geographic locations exhausts both labor pools in those areas and the availability of housing and other services needed to support the importation of additional workers.

- The general unavailability of affordable housing in metropolitan and urban areas will increasingly limit growth of labor supply in those areas.

- A limited availability of affordable day care for children and elderly family members will continue to constrain participation of low income women in the labor force.

- The lack of public transportation from inner-city residential neighborhoods to suburban job sites is likely to impose additional limits on labor force availability.
- The absence of portable employee benefits will certainly discourage workers, especially those with extensive work histories at a given company, from changing companies or towns.
- The mobility of workers, both occupational and geographical, will decline as the workforce ages. (See Figure 3.)



Source: Bureau of Labor Statistics

Figure 3. Both occupational and geographic mobility decline with age.

Summary

The bottom line seems to be that while the economy is projected to continue its increase at two or three percent annually, the labor force is not expected to grow at a rate much exceeding one percent. Additional limiting factors will further constrain the available supply of quality workers, so that without significant remedial action, future growth of the U.S. labor supply may be unable to keep up with future labor

demand, and labor shortages may result. Indeed, labor shortages exist today in several metropolitan centers and growth areas.

PART II
Potential Impacts of Labor Shortages

Labor shortages are the result of a variety of converging economic and demographic forces. Labor shortages also have a variety of consequences, and themselves force a number of labor market adjustments on workers and employers:

- Workers who find themselves unemployed have a choice to remain unemployed, learn new skills and change occupations, or move to another locale.
- Individuals who decide to learn new skills may find relocation or significant changes in lifestyle necessary.
- Workers changing companies, even in the same town, may lose pension funds or surrender health benefits.
- Persons moving to new labor markets may find themselves caught up among hundreds of other workers who have also moved to the same town and who are seeking work with the same companies.
- Individuals who find work in a new location may find it impossible to sell old houses or to buy new ones.

Companies experience similar kinds of effects in labor shortage situations. They may find it necessary to extend worker recruitment outside the immediate labor market, provide expanded levels of training, and supplement local transportation systems. One common response is to raise wages and make benefits more competitive. That this factor is already at work is evident. Arthur Young expects average U.S. wage increases of 6–7 percent next year, double the pace in 1988. The Conference Board projects that benefit costs will rise 6.7 percent. But higher wages and more costly benefit packages, while good for certain individuals, can also force other choices—not all of which are positive from the point of view of U.S. workers:

- High labor costs may force marginal companies to lay off workers or shut down or encourage expanding companies to move jobs off shore.

- High labor costs may stimulate companies that can afford it to automate. Fifty percent of workers surveyed report that automation has already changed their jobs. Some analysts predict that by 1992—just a few years away—as many as 134,000 robots may be at work in the United States. (See Office of Technology Assessment, "Computerized Manufacturing Automation.")

- Competitive bidding for qualified workers can lead to unstable labor markets in which workers move occupationally and geographically in response to the highest bidders. Such volatility may threaten the ability of companies to compete for or complete contracts.

Labor shortages may also increase requests to import foreign workers, particularly for entry-level jobs in low-paying occupations.

The biggest danger of labor shortages, however, may be that shortages can lead to short-sighted public policy and governmental action. Both at the State and national levels, pressures from specific industrial or occupational groups can drive legislative and regulatory actions that may harm the U.S. economy, and U.S. employers and workers generally in the long run.

Labor shortages are a part of the process by which the market allocates resources to demand. Labor shortages are expected to occur in times of economic change as labor markets adapt and individual companies compete.

Not all the effects of labor shortages are bad. Higher labor costs resulting from labor shortages can, as noted, stimulate companies to become more competitive through restructuring and automation. Experimentation with flexible hours, participatory management schemes, and extensive employee-upgrading programs can bring into and keep within the labor force quality workers who otherwise might be lost to production.

As a result, it is only with the greatest caution that government should intervene in labor shortage situations.

But labor shortages may occur which are not the result of market factors alone. A declining population, our failure to properly educate our workforce, the lack of affordable day care for low income people, the shortage of affordable housing, limited metropolitan transportation systems—all these barriers to expanding employment affect competitiveness, but do not arise from market causes.

It is in these areas that government intervention may well be appropriate; but, even here, policies must be well considered. Actions taken to bring one set of workers into the economy may drive out others. Supports intended to encourage worker relocation may contribute to the instability of labor supply. Public subsidies for employee upgrading may ease the necessity for companies to restructure or automate.

In dealing with labor shortages, it is also important to recognize that adjustments to labor mismatches take place first of all within local and regional labor markets. National solutions are appropriate and required in but a limited number of cases and will have but limited impact when applied. For that reason, any approaches to labor shortage remediation must be structured to stimulate and allow for local, State, and regional response before national action is initiated.

Summary

Labor shortages cause adjustments on the parts of both employers and workers. To a large extent, these adjustments are a natural part of economic adjustment, and should be left to operate without government intervention. There are causes for shortages that are not, however, the result of market processes, and it is perhaps in these areas that government intervention is appropriate. But even in these cases, care has to be taken lest government action result in unintended results, or that Federal action supersedes and displaces more appropriate activity at the State or local level.

PART III
Approaches to Adjustment for Examination

Labor shortages can be alleviated by one of two approaches: by increasing the numbers of workers available, in the aggregate or for specific occupational shortages, or by reducing requirements for workers.

Expanding the Workforce

The number of available workers may be increased in five ways. One set of approaches would increase the labor force participation rate by bringing into the labor force persons in the U.S., eligible to work but who are not now active. This can be accomplished by:

- Improving the work-related skills of persons who do not presently possess sufficient basic literacy skills, occupational aptitudes, or work attitudes and habits to be employed. Such an approach is embodied in investment in job training for disadvantaged individuals who may have dropped out of the workforce because they do not have the skills to successfully compete.
- Providing other services or accommodations which will remove barriers to employment. Included for consideration might be improved health care, increased affordable day care for low income families, more flexible working hours, and accommodations for handicapped persons.
- Removing regulatory barriers to the employment of certain segments of the population. Included for consideration might be restructuring home work, redesigning training, work, and benefits for both youth and older workers.

A second set of approaches might seek to increase the skills and develop the aptitudes of persons already in the labor force, primarily as a means of meeting shortages in higher-skilled occupations. Included in such an approach might be classroom and on-the-job training and retraining programs.

A third set of approaches might attempt to improve the quality of jobs as a means of attracting more workers into the labor force or into other jobs. Such an approach would be directed particularly at low-wage jobs with poor working conditions, but also to very high-skilled jobs such as nursing. Included for consideration might be raising wages,

providing better fringe benefits, improving safety and health standards, and making worksites more accessible for and procedures more accommodating to handicapped workers.

A fourth approach to expanding the number of available workers might be to increase the use of foreign workers on a temporary and permanent basis to augment and complement the U.S. labor force.

A fifth set of approaches would seek to improve the matching of workers and jobs and thereby increase the number of workers available in specific labor markets. Measures in this group might include:

- Developing better information on where labor shortages exist and disseminating this information more widely.
- Improving the utilization and efficiency of job placement organizations.
- Increasing the quality and availability of vocational counseling and testing.
- Expanding the availability to jobseekers of training in job search techniques.
- Providing transportation assistance within metropolitan areas between where the workers are and where the jobs are.
- Providing relocation assistance between geographic areas.
- Increasing the level of effort designed to achieve equal employment opportunity for minorities, women, and other groups who suffer discriminatory practices.
- Modifying various income support programs to facilitate labor market participation and the mobility of workers from one area to another and from one occupation to another. Programs to be reviewed might include pension programs, unemployment insurance, and welfare and food stamp programs.
- Re-evaluating housing policies and programs and their impact on high job growth areas.

Restructuring Employment

With respect to modifying the requirements for workers, a number of general approaches also appear possible.

- Companies may restructure job descriptions, job requirements, and wages in such a way that some jobs are eliminated, other jobs are combined, or new jobs with expanded responsibilities are created. Companies may also redesign or simplify jobs, lowering the skill requirements.
- Increased mechanization or automation is clearly an alternative to the use of human labor as a means of production. The potential of this approach varies widely according to industry and occupation.
- Some employers have chosen to "out source" production to foreign countries where labor supplies are greater and labor costs less. Such an approach occurs primarily in situations where unskilled or semi-skilled manual labor is sought.

Pertinent Department of Labor Responsibilities

In crafting responses to the issue of labor shortages, two basic questions appear appropriate to DOL:

- To what extent should the natural workings of the labor market in the private sector be permitted to operate freely to reach a new equilibrium between the supply and demand for labor?
- To what extent should government become involved and at what level—Federal, State, or local?

We examine an additional question, as well.

- Within the Federal establishment, what role should DOL play?

These questions apply to each of the generic approaches discussed above. Vocational training may be made available by private employers, local school systems, or Federal programs. Research and development leading to increased mechanization and automation can be privately or publically financed. Both public and private job placement agencies may direct activities to meet specific shortages.

Within DOL, virtually every major component has programs or activities which bear directly on labor shortages and the generic approaches outlined above. Many of these programs require coordination with other Federal agencies. Examples of activities and programs include the following:

- *Increasing labor force participation.* Some programs of the Employment and Training Administration (ETA) focus on developing the work-related skills of lower-income and disadvantaged persons. Regulatory activities of the Employment Standards Administration (ESA) with respect to working hours and home work may be relevant. Advocacy activities of the Women's Bureau with respect to issues affecting the workforce participation of women also apply. DOL coordinates its activities with other Federal agencies, such as the Department of Health and Human Services and the Department of Education.

- *Improving workers' skills.* DOL has a wide array of public training programs. Coordination with other agencies is especially important in this area, particularly with the Departments of Education and Health and Human Services, the Veterans' Administration, and the Department of Defense.

- *Improving the Quality of Jobs.* ESA and the Occupational Safety and Health Administration (OSHA) have primary responsibilities in the area of wages and working conditions.

- *Matching Workers and Jobs.* The Bureau of Labor Statistics (BLS) has the primary role in developing and disseminating information on labor market conditions, including labor shortages. ETA, through the Federal-State employment service system, has significant responsibility for public applicant assessment and job placement activities. ETA also operates programs designed to facilitate worker readjustment.

- *Restructuring jobs.* No Federal agency has direct responsibility in this area, although at one time, the U.S. Employment Service and its State counterparts did provide to employers assistance with job restructuring. Federal economic and defense policies certainly have an effect.

- *Utilizing foreign workers.* DOL certifies aliens for work to the Immigration and Naturalization Service. The Department also coordinates its work with the Department of Agriculture and the Department of State.

Possible Roles for the Department of Labor

The Department of Labor has a number of roles and responsibilities that can impact upon labor shortage situations. It also administers a number of programs that can be brought to bear at the State and local level. There is, however, no system or mechanism within the Department of Labor, or within the economy at large, that either defines the role of the Department vis-a-vis this issue or enables it to quickly and efficiently bring its many resources to bear. In considering a potential role for the Department, it may be useful to distinguish between short-term, responsive initiatives and longer range developmental approaches.

Short-Term Initiatives

An effective tool in addressing labor shortages may be DOL's capacity to inform job seekers, school systems and other key sectors of the community about the possible existence of worker shortages in specific occupations and localities.

- BLS, DOL regional offices, State and local Employment Service offices, and the Job Training Partnership Act (JTPA) agencies might be used to convey labor shortage information. Other agencies could similarly utilize their networks to publicize labor shortages and help facilitate local solutions. The Women's Bureau could work with its constituent organizations to encourage women to train for and seek employment in shortage occupations, particularly those that have not traditionally been filled by women.

- State and local Employment Service offices could make assisting employers in filling vacancies in shortage occupations a special priority.

- Under JTPA, States and localities might give particular attention to shortage occupations in choosing and planning training programs.

- DOL could perhaps apply its alien labor certification authority in a more targeted way to fill critical shortage vacancies for which no U.S. workers are available. This tool must be used with care, however, since DOL's first priority is to achieve greater employment opportunities—and improved wages and working conditions—for U.S. workers, particularly for those groups who have had the greatest difficulty in becoming part of the economic mainstream. DOL could even conceivably make the "screen" for labor certification tighter, so as to ward off potential large-scale usage of foreign workers, while authorizing entry only where shortages in highly skilled jobs threaten to impede economic growth, international competitiveness, or technological leadership. Administrative measures could be taken to make it easier to qualify for legitimate exceptions to the "screen."

Possible Longer-Term Measures

Some of the actions the Department of Labor might pursue are basically "developmental" in nature and, thus require time frames beyond the immediate future.

- The Bureau of Labor Statistics has examined available measures of labor shortages—by industry, occupation and geographic area. Each of these measures is indirect. Labor shortages could be more accurately measured through direct observation of imbalances between supply and demand for labor. Unfortunately, the current labor market information system contains neither data on job vacancies nor data about the time it takes employers to fill specific jobs. Measures of the number of job vacancies and the length of time jobs remain open could assist in understanding the severity and impact of shortages. Also useful would be a direct measure of new hires in order to better analyze job vacancy data with respect to labor shortages. Shortages would be suggested by large numbers of vacant jobs relative to new hiring.

- The Department might explore a broader role for the Employment Service (ES) in assisting employers to meet shortage problems. In addition to intensified worker recruitment efforts, the ES could develop the capacity to advise employers on job restructuring and other methods of increasing the efficiency of their available work force. The ES has carried out that "employer services" role during wartime and other periods of severe labor market tightness.

- The Department might also coordinate a Federal effort to provide training assistance to employers through expanded use of current authority under the vocational education, Pell grant, JTPA and other programs.

- As part of any effort to alleviate labor shortages, the Department might coordinate a government-wide effort to review the role that Federal regulations may play in inhibiting employers' adjustment to shortage situations. The results of the review could involve administrative waiver or modification of regulatory restrictions where such relief could appreciably ease a shortage situation. Exercise of administrative discretion in this regard might require new statutory authority.

- As was indicated above in the discussion of short-term initiatives, the Department has a two-pronged policy with respect to alien labor certification and labor shortages. On the one hand, DOL could tighten the "screen" for admission of foreign workers so as to prevent the use of alien labor as a "quick fix" to labor shortages, to the detriment of the interests of U.S. workers. On the other hand, the Department could expedite exceptions to the certification process where there is a legitimate need.

- Another possible approach is to involve more labor market institutions in the process prior to the certification decision to assure the fullest possible test for U.S. worker availability. In such an approach, applications for foreign workers would be publicized in public media and disseminated widely to governmental entities, training and educational institutions, unions and other appropriate entities. Such an approach would aid in recruiting U.S. workers, assure the protection of community interests, and provide information on training needs to training and educational institutions.

- Longer-term measures for "tightening the screen" might require modifying regulations and possible legislative changes relating to both the H-2B temporary foreign worker program and the permanent labor certification program. Longer-term measures to facilitate entry of foreign workers where there was a legitimate need could include permitting the use of general labor market information for certification purposes, thus allowing DOL to establish lists of pre-certified occupations. Therefore, the Department may explore options to promulgate legislative and administrative changes necessary to facilitate the use of labor market information for labor certification purposes.

Summary

The Department of Labor has a number of responsibilities and programs that suit it to take an active role with respect to general labor shortages. Just what role it should play, and how that role might relate to the activities of other governmental agencies—Federal, State, and local—is a subject that requires broad public consideration. The various authorities vested with the DOL do provide a useful set of perspectives from which the issue of labor shortages may be discussed.

PART IV
Proposed Guiding Principles

It is apparent that the issue of labor shortages is complex. It involves a number of interests and a variety of potential responses which interact. It is plain that, at the present time, we lack sufficient information, and information tools, to define the magnitude and dimensions of those labor shortages we are experiencing. Yet, economic and demographic data strongly suggest that this issue is not going to go away. It is important, therefore, that we, as a society, take seriously the issue of labor shortages, that we develop the kinds of information we need to determine what responses, if any, are appropriate, that we develop at national, State, and local levels public policies appropriate to dealing with the issue, and that we assign roles and responsibilities accordingly.

The Department of Labor is anxious to identify the role it is to play and the responsibilities it is to bear. But we in the Department are acutely aware that the Department is neither the sole party with responsibilities related to this issue, nor the sole party likely to be impacted by public discussion of this issue. It is for this reason that we have developed this report and invite broader discussion. It is of utmost importance that multiple parties become engaged in the documentation, analysis, and policy discussion of labor shortages. The Department suggests, however, that four basic principles should be observed as the issue is addressed. These are:

- To the maximum extent possible, the free market should be permitted to operate. A shortage is a sign of an adjustment process that is not yet complete. The market should be encouraged and given sufficient latitude to make such adjustments.

- Government has an important but limited role to play. First, it can provide information which will enable the parties in the labor market to make better-informed decisions as they adjust to the labor shortages. Second, it can create a climate which encourages positive adjustments. Third, it can intervene directly in its regulatory and programmatic capacities.

- U.S. workers should be the primary beneficiaries of labor shortages, which tend to engender improved job opportunities, wages and working conditions. This is particularly true for minorities, women, the handicapped, the disadvantaged, and other groups which have had difficulty entering the economic mainstream.

- The Department of Labor believes that immigration's most appropriate labor market role is to facilitate and supplement policies seeking to improve opportunities and access for U.S. workers. The Department of Labor remains steadfast in its commitment to promote the welfare of all U.S. workers.

Conclusion

The issue of labor shortages will become increasingly important as we move towards the 21st century. At the present time, however, it is a problem that receives little attention. We have yet to develop tools by which we can collect and analyze sufficient information about this phenomenon to understand either its magnitude or dimensions.

The Department of Labor is committed to stimulating broad public debate about this issue. As part of that debate, we have identified those of our responsibilities which we believe to be relevant, and have submitted to discussion the subject of our role. We have tried to make clear that we are not the only governmental agency with interests in this issue and have sought to emphasize our belief that governmental action should be both limited and oriented to that level of government where adjustments are most easily achieved.

Consistent with our primary role, we have suggested that one of the primary principles to be observed throughout the discussion is the need, first and foremost, to protect the American worker, to use labor shortages, where possible, to improve workers' wages, benefits, and working conditions, and, thus, in the long run, to keep the American worker the most highly skilled and most productive worker in the world.